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SENSITIVE
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TAGS: PGOV PREL ETRD ECON OSCE AF CH IN IR KZ
SUBJECT: KAZAKHSTAN'S VIEWS ON ITS NEIGHBORS

REF: (A) ASTANA 2090
(B) ASTANA 2161
(C) ASTANA 2198
(D) ASTANA 607
(E) ASTANA 2200
(F) ASTANA 281

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¶11. (U) Sensitive but unclassified. Not for public Internet.

¶12. (SBU) SUMMARY: Assistant Secretary of State for South and Central Asian Affairs Robert Blake thanked State Secretary-Foreign Minister Kanat Saudabayev and President Nazarbayev's foreign policy advisor Kairat Sarybai for Kazakhstan's assistance in Afghanistan and noted that it complements the civilian component of the U.S. strategy. He suggested that Kazakhstan could strengthen the counter-narcotics and border-management expertise of the Organization for Cooperation and Security in Europe (OSCE). Sarybai encouraged further dialogue with Iran, stressing that "sanctions are not effective." Kazakhstani officials emphasized efforts to carefully manage the country's growing economic relationship with China and to increase its trade links with India. END SUMMARY.

SUPPORT FOR AFGHANISTAN STRATEGY

¶13. (SBU) In separate December 15 meetings with State Secretary-Foreign Minister Kanat Saudabayev and the President's foreign policy advisor Kairat Sarybai, Assistant Secretary for South and Central Asian Affairs Robert Blake thanked Kazakhstan for its assistance in Afghanistan. He noted particularly Kazakhstan's support for the Northern Distribution Network and the recently-announced Afghanistan-Kazakhstan agreement to provide university education for 1,000 Afghan students in Kazakhstan (ref A). Sarybai told Blake that Afghanistan will stop being a source of instability in the region when Afghans see that "good governance is the necessary building block" for democracy. Blake highlighted that Kazakhstan's initiative complements the civilian component of the U.S. strategy in Afghanistan. Sarybai commended "the dual-prong approach" of President Obama's strategy. Separately, Saudabayev said that reinvigorated U.S. engagement is "added incentive" to

organize a 2010 OSCE summit, likely on Afghanistan (ref B).

¶4. (SBU) Blake told Sarybai that Kazakhstan's expertise with counter-narcotics and border management could prove useful for the OSCE. He lauded Kazakhstan's offer to train Afghan police at the Central Asian Regional Information and Coordination Center (CARICC).

Blake noted the need for increased logistical support due to the U.S. troop surge in Afghanistan, and he expressed hope to both interlocutors that Kazakhstan will approve an additional north-south overflight path under the existing overflight agreement (ref C).

IRAN -- FURTHER DIALOGUE NEEDED

¶5. (SBU) A/S Blake solicited Sarybai's views on likely prospects to seek strengthened sanctions against Iran. Sarybai stressed that a peaceful resolution is "highly, highly important" to Kazakhstan. He encouraged the United States to continue the dialogue and send positive signals, "perhaps at different fora. Sanctions are not effective," he argued. He encouraged the United States to continue signaling a readiness for a bilateral relationship. "The mullah regime is still strong." Sarybai told Blake that President Nazarbayev has told Iran to be open with and fair to the international community, deal with the International Atomic Energy Agency (IAEA), and give up nuclear weapon ambitions (ref D). Nazarbayev holds up Kazakhstan as an example Iran should follow, Sarybai noted, which makes a prominent position for Nazarbayev at the Global Nuclear Security Summit especially relevant.

CHINA -- "LESS TALK, MORE ACTION"

¶6. (SBU) Asked about China's role in Kazakhstan, Sarybai said China is actively engaged in securing hydrocarbon supplies from Kazakhstan. He noted the recently-inaugurated

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Turkmenistan-Kazakhstan-China pipeline and China's \$10-billion loan to Kazakhstan. "They are less talk, more action," he said. According to Sarybai, the China pipeline will help Kazakhstan link its Western oil-rich regions with other parts of the country. "But Kazakhstan knows its limits" and carefully manages the type and scope of Chinese investment, he emphasized. Chinese goods are popular with the lower-income stratum of society, he said, but Korea, Japan, and Europe dominate the markets for more expensive goods. Trade with China is comparable to U.S.-Kazakhstan trade volumes. Sarybai welcomed initiatives to diversify U.S. investment in Kazakhstan.

¶7. (SBU) In a separate December 15 meeting (ref E), Prime Minister Karim Masimov told Blake that Kazakhstan's traditional markets of Russia and Europe fell because of the economic crisis while China's importance grew in 2009. "The lesson of 2009 was that China is an obvious market for Kazakhstani products," he plainly stated. Masimov also asserted that "the reality of 2009 was that only China helped financially, providing a \$10 billion loan and an additional \$3.5 billion program to assist extractive and non-extractive industries." Masimov recounted that when Russian Prime Minister Vladimir Putin asked why Kazakhstan accepted China's money, he said he held out his hand and responded, "What do you have to offer?" Masimov, ever cautious, asserted that Kazakhstan must carefully watch its borrowing, taking only as much as necessary.

INDIA -- HIDING IN PLAIN VIEW

¶7. (SBU) Sarybai told Blake that India's economic role in Kazakhstan equals that of China, but it is less conspicuous because "the Indians are less suspicious. Everyone has doubts about the Chinese, but no one has doubts about the Indians." Indian companies invest in the uranium, agricultural, and petro-chemical markets. Kazakhstani construction companies are active in India. The bilateral trade is poised to grow as the two countries explore possible cooperation in the production of pharmaceuticals, said Sarybai.

¶8. (SBU) COMMENT: While Kazakhstan's commercial relations with India are strong, and various Kazakhstani government officials have previously called for increased trade with India, Post is skeptical

that Kazakhstani-Indian commercial relations will take off any time soon. According to official statistics, the bilateral trade relationship between Kazakhstan and India is nowhere near the volume of Kazakhstani-Chinese trade (ref F). Although Kazakhstan's bilateral trade balance with India reached \$367 million in 2008, it amounted to only 0.3% of Kazakhstan's 2008 total trade turnover. In contrast, according to President Nazarbayev's statements to the media during Chinese President Hu December 12 visit to Astana, the bilateral trade turnover between Kazakhstan and China in 2008 reached \$17.5 billion. By emphasizing the Kazakhstani-India relationship, Sarybai might have been, consciously or unconsciously, downplaying China's rapidly increasing importance to Kazakhstan, a trend that concerns many Kazakhstani officials. END COMMENT.

¶9. (SBU) A/S Blake cleared this cable.

HOAGLAND